

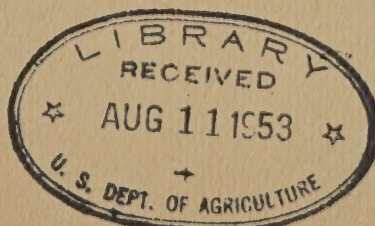
UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

The Rural Electrification and Rural Telephone Loan Programs

The Rural Electrification Administration is a lending agency of the United States Department of Agriculture. It makes loans for the purpose of helping finance electric and telephone systems in rural areas. Congress annually determines the amount of funds REA may lend in each program.

The agency was established on May 11, 1935, by Executive Order of the President. The Rural Electrification Act of 1936 gave REA permanent status and authorized a 10-year electrification loan program, which was extended indefinitely in 1944. An amendment to the Act late in 1949 gave REA authority to make telephone as well as electric loans. REA has been an agency of the United States Department of Agriculture since 1939. Its Administrator is appointed by the President, subject to Senate confirmation. The present Administrator is Ancher Nelsen of Minnesota. He took office in April 1953.

In the field of rural electrification, REA is empowered to make loans to qualified borrowers for the extension of central station service to persons in unserved rural areas. The law specifies preference to non-profit and cooperative organizations and to public bodies. In the rural telephone field, preference is provided by law for existing companies and non-profit organizations. REA has made more than 95 percent of its electric loans and about half its telephone loans to cooperatives organized under State laws by rural people seeking these services.



Nature of Loans

REA loans bear two percent interest and must be repaid over a maximum period of 35 years. Electric loans made by REA cover the full cost of constructing power lines and other electric facilities. REA telephone loans can cover 50 percent or more of the total value of the telephone system, including the facilities financed by REA. The borrower provides the remaining equity.

REA itself operates no electric or telephone facilities. REA loans are repaid from operating revenues of the systems it finances. Part of each consumer's monthly payment for electric or telephone service goes to pay off the Government loan.

Progress of Farm Electrification

The creation of these loan programs was a Congressional response to the needs of rural people. Farm electrification had advanced very slowly in the United States during the 53-year period from 1882, when the first central generating system went into service, to 1935 when REA was created. Only 10.9 percent of all farms in the United States were receiving central station electric service by 1935.

Between 1935 and 1953, about 4,000,000 additional farms were connected to electric power lines by all power distributors. Of these, slightly more than half were served by REA-financed systems. The remainder were added to facilities of other power distributors, largely power companies. On June 30, 1952, REA estimated that 4,740,849 of the farms recorded in the 1950 Census, or 88.1 percent, were electrified. About 640,000 of

the Nation's farms and many thousands of non-farm establishments still were unelectrified. Many of these unelectrified farms and other rural establishments are situated in isolated areas, or in areas of relatively low farm income.

In 1950, the Census indicated that 38.3 percent of all farms in the United States had telephones. This had increased to 40.3 percent by June 30, 1952, according to a Department of Agriculture survey.

Borrowers Practice Area Coverage

Electric and telephone facilities constructed by REA borrowers are designed to serve entire areas, including less densely settled sections as well as those of concentrated population. The policy of area coverage emerged as the rural electrification job progressed. The test is no longer whether an individual line or section will be self-supporting, but whether the system as a whole is feasible. This is a matter of policy in electrification loans, but Congress wrote it into the telephone amendment. It directed that the program be conducted to "assure the availability of adequate telephone service to the widest practicable number of rural users of such service."

Status of Electric Program

By the beginning of 1953 REA had approved \$2,668,946,121 in electric loans to 1,081 borrowers, and \$2,157,945,000 had been advanced. The borrowers included 986 cooperatives, 44 public power districts, 26 other public bodies, and 25 commercial power companies.

More than 1,000 of these REA borrowers had rural electric facilities in operation. These facilities included 1,244,665 miles of line serving more than 3,851,000 farms and other rural consumers in about 2,600 counties of 46 States, Alaska, the Virgin Islands, and Puerto Rico. More than two-thirds of all consumers on REA-financed power lines are farms. REA borrowers also serve many thousands of rural non-farm dwellings, schools, churches, stores, community buildings, and similar facilities, as well as rural industries and other commercial enterprises.

Repayment Record of Borrowers

At the start of 1953, electric borrowers had paid to the Government approximately \$140,000,000 in interest and had repaid \$255,000,000 in principal on their REA loans. This included over \$52,000,000 in payments on principal ahead of schedule. About \$718,000, or one-fifth of one percent of the amount due, was delinquent.

About 80 percent of the electric loans approved by REA have been for distribution facilities. REA makes generation and transmission loans when borrowers are unable to purchase an adequate supply of power or when a saving will result. Approximately 19 percent of the REA loans have been for construction of generating plants and transmission lines. About one percent of the loans has been made to power systems for relending to rural people to finance farmstead wiring and plumbing installations, electrical equipment, and irrigation facilities.

Status of Telephone Program

Funds for the first REA telephone loan were allocated to the Florala Telephone Company of Florala, Alabama, on February 24, 1950. The Fredericksburg and Wilderness Telephone Company of Chancellor, Virginia

placed the first REA-financed facilities in service in September 1950, and made the first payment due the government under the rural telephone loan program two years later.

At the start of 1953, after the first three years of the telephone loan program, 122 commercial companies and 109 cooperatives had received loans totaling more than \$106 million. When these borrowers' facilities are completed, nearly 300,000 rural families will be getting telephone service from them.

At the beginning of 1953, 20 firms had new REA-financed telephone facilities in service, and REA borrowers reported completion of about 1,356 miles of pole line.

REA insists that rural people who do not have telephone service but want it, first apply to the nearest telephone company. If an established company is willing to provide service, REA believes that the best interest of the community will be served by encouraging the company to provide it.

Production Tools for the Farmer

In addition to the convenience of electric and telephone service, farmers are coming to depend more and more upon them as aids in the farming business. Telephone service saves time and expense in trips to marketing centers, and electric farming techniques have helped streamline the production of food and fiber. To date, about 400 farm uses for electricity are known, at least 250 of them productive uses.

Farmers are using steadily increasing amounts of electric energy for household and farm tasks. Average use on REA-financed lines rose from 117 kwh per farm in December 1947 to 197 kwh in December 1952. Power system

operators are being called upon to "heavy up" the lines and substations to keep ahead of load growth. A progressive program of system improvements has been a major activity of most REA electrification borrowers in recent years.

An important result of expanding rural electrification and telephone service is the increased business brought into rural communities. Private business is stimulated, both locally and nationally. Studies indicate that for every dollar invested in rural power facilities, the farmer invests \$3 to \$4 in wiring, plumbing and electric appliances.

But the real measure of the success of the rural electrification program is found in the farm home and rural community. It has contributed substantially to improved standards of living. It makes farming more efficient and more profitable. It relieves the farm homemaker of much of the old-time drudgery and back-breaking labor. It makes running hot and cold water and plumbing possible in the farm home. It preserves food and makes for better nutrition. It protects eyesight and in other ways aids farm family health. It keeps the isolated farm in touch with the community, Nation, and world.

SUMMARY OF ELECTRIC PROGRAM IN _____

In _____, the number of farms with central station electric service increased from _____, or _____ percent, at the time REA was established in 1935, to _____, or _____ percent on June 30, 1952.

Up to _____, REA had approved \$ _____ in electrification loans to _____ borrowers, _____ of them cooperatives. Of this amount \$ _____ had been advanced to the borrowers, who were then operating _____ miles of line serving _____ farms and other rural consumers.

Greater use of electrical equipment for more efficient farm production and more comfortable rural living has resulted in a steady increase in consumption of electricity from REA-financed lines in _____. Average use rose from _____ kilowatt-hours per farm in December, 1947 to _____ kwh in December, 1952.

REA borrowers in _____ had paid \$ _____ in interest and repaid \$ _____ of principal on their government loans by _____. _____ borrowers were \$ _____ ahead of the repayment schedule, and \$ _____ was more than 30 days overdue.

SUMMARY OF TELEPHONE PROGRAM IN _____

There were _____ farms with telephones in _____, or _____ percent of the total, in 1950.

By _____ REA had allocated a total of \$ _____ for telephone loans to _____ firms in _____. These loans will enable the borrowers to bring modern service for the first time to _____ rural establishments, and improved service to _____ present subscribers.

In addition, REA had on hand telephone loan applications totaling \$ _____ from _____.

1875

3. 2. 1901

10

221

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1847

1875

1887-1888

21. 10. 1941

10

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